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LOS ANGELES, CALIFORNIA 90071
(213) 362-3680

D. Billye Sanders
(615) 850-8951
billye.sanders@wallerlaw.com

September 9, 2005

VIA HAND DELIVERY

Ron Jones, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

05-00249

RECEIVED
2005 SEP -9 PM 1:57
T.R.A. DOCKET ROOM

Re: In the Matter of the Petition of Kentucky Utilities
Company for an Order Authorizing the Issuance of Securities
and the Assumption of Obligations

Dear Chairman Jones,

Enclosed you will find the original and thirteen copies of the above referenced Petition of Kentucky Utilities Company and a check for \$25.00 for the filing fee.

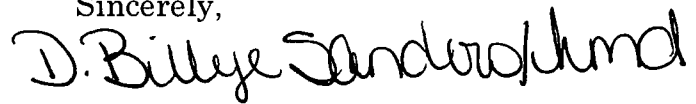
Kentucky Utilities is asking for expedited treatment of this matter because it has a limited window of opportunity to obtain supplemental tax exempt financing, which will reduce its cost. This request is similar to the request in Kentucky Utilities Petition that was approved June 20, 2005 in Docket Number 05-00144. As explained in the attached Petition, the bond issue which provides this financing must close no later than November 24, 2005 to qualify for the tax exempt funding. The company's bond counsel has indicated that it needs orders from the state commissions having jurisdiction over the company no later than November 8, 2005 in order to complete all of the legal requirements to close the bond issue before November 24, 2005. Therefore, Kentucky Utilities respectfully requests that the TRA issue its written order no later than November 8, 2005.

Please contact me if you have any questions or need any additional information.

September 9, 2005

Page 2

Sincerely,

A handwritten signature in black ink that reads "D. Billye Sanders". The signature is written in a cursive, flowing style.

D. Billye Sanders
Attorney for Kentucky Utilities
Company

cc. Kendrick R. Riggs, Esq.
John Wade Hendricks, Esq.
Elizabeth L. Cocanougher, Esq.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN THE MATTER OF THE PETITION OF KENTUCKY)
UTILITIES COMPANY FOR AN ORDER)
AUTHORIZING THE ISSUANCE OF) Docket No. 05-_____
SECURITIES AND THE ASSUMPTION)
OF OBLIGATIONS)

PETITION

Kentucky Utilities Company ("KU" or the "Company") hereby requests, pursuant to T.C.A § 65-4-109, that the Tennessee Regulatory Authority ("TRA" or "Authority") authorize the issuance of securities, assumption of obligations and entrance into all necessary agreements and other documents relating thereto as more fully described herein. In support of this Petition, KU states as follows:

Description of the Company

1. The Company's full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU is a Kentucky and a Virginia corporation, a public utility as defined by T.C.A § 65-4-101, and provides retail electric service to approximately five (5) customers in Tennessee. KU also provides retail electric services to approximately 518,000 customers in seventy-seven (77) counties in Kentucky and five (5) counties in southwest Virginia. A description of KU's properties is set out in Exhibit 1 to this Petition. The Company is a wholly-owned subsidiary of LG&E Energy LLC ("LG&E Energy"). LG&E Energy is an indirect subsidiary of E.ON AG

Correspondence Pertaining to the Petition

2. Correspondence or communications pertaining to this Petition should be directed to:

D. Billye Sanders
Waller Lansden Dortch & Davis, PLLC
511 Union Street, Suite 2700
Nashville, TN 37219-8966

Telephone: (615) 850-8951
Facsimile: (615) 244-6804
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Kendrick R. Riggs
John Wade Hendricks
Ogden Newell & Welch PLLC
1700 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202
Telephone: (502) 582-1601

Elizabeth L. Cocanougher
Senior Corporate Attorney
LG&E Energy LLC
220 West Main Street
Louisville, KY 40202

Description of the Transaction

3. This Petition relates to the proposed permanent financing for portions of pollution control facilities at the Company's Ghent Generating Station in Carroll County, Kentucky. These facilities are described in Exhibit 2 hereto. Attached to this Petition as Exhibit 3, is a copy of a letter from the Kentucky Private Activity Board Allocation Committee, dated August 26, 2005, notifying KU that it had received a supplemental allocation of \$13,266,950 of the state ceiling for private activity bonds. This is in addition to an earlier allocation of \$13,266,950 on April 15, 2005. On June 20, 2005 in Docket No. 05-00144 the TRA authorized the Company to issue securities and assume obligations in connection with the April 15, 2005 allocation.

The August 26, 2005 allocation will allow an additional portion of the cost of KU's pollution control project to be financed on a tax-exempt basis, resulting in lower costs. A comparison of taxable versus tax-exempt financing, as of the date of this Petition, is attached as Exhibit 4.

KU's supplemental allocation will expire on November 24, 2005 (Thanksgiving Day) In order to preserve the availability of this additional lower cost financing, KU requests that the Authority process this Petition as expeditiously as possible, and issue its Order by October 18,

2005. The Company requests authority to (i) assume certain obligations under various agreements in an aggregate principal amount not to exceed \$13,266,950 in connection with the proposed issuance of one or more series of Carroll County Environmental Facilities Revenue Bonds, to be appropriately designated (the "Pollution Control Bonds"), and (ii) issue one or more series of the Company's First Mortgage Bonds to collateralize the proposed Pollution Control Bonds. The proceeds of the Pollution Control Bonds would be loaned to KU by Carroll County to provide permanent financing for a portion of the pollution control facilities described herein.

In connection with the Pollution Control Bonds, KU would assume certain obligations under one or more loan agreements with Carroll County, Kentucky, and may enter into one or more guaranty agreements, bond insurance agreements and other similar undertakings guaranteeing repayment of all or any part of the obligations under one or more series of Pollution Control Bonds for the benefit of the holders of such bonds.

4. Carroll County has the power, pursuant to the provisions of the Industrial Building Revenue Bond Act, Sections 103.200 to 103.285, inclusive of the Kentucky Revised Statutes, to enter into the transactions contemplated by the Loan Agreement and to carry out its obligations thereunder by issuing and selling negotiable bonds and lending the proceeds from the sale of such Bonds to KU to finance the acquisition, construction and installation of certain pollution control facilities, being within the corporate limits of Carroll County.

5. Depending upon KU's credit rating and market factors at the time of issuance, the financing may involve KU's First Mortgage Bonds (as hereinafter defined) issued to collateralize and secure the Pollution Control Bonds. If KU's First Mortgage Bonds are used, the structure and documentation for the issuance of KU's First Mortgage Bonds and related agreements would be similar to the structure and documentation of other recent pollution control financings of KU approved by the Authority involving KU's First Mortgage Bonds. KU's First Mortgage Bonds would be issued in like amount to the Pollution Control Bonds and would be used to secure its

payment obligations under the Pollution Control Bonds. KU therefore requests authority to issue one or more series of its First Mortgage Bonds, Pollution Control Series (collectively, the "First Mortgage Bonds") in an aggregate principal amount not to exceed \$13,266,950. The First Mortgage Bonds would be delivered to one or more corporate trustees under one or more indentures of trust between Carroll County and such trustee (each a "Trustee") in connection with the issuance and sale by Carroll County of its Pollution Control Bonds. The First Mortgage Bonds would be held by the Trustees to secure the payment of the Pollution Control Bonds and payment by KU of all sums payable by KU as discussed below. The First Mortgage Bonds would be issued pursuant to one or more supplemental indentures, each of which would be a supplement to the Indenture of Mortgage and Deed of Trust dated May 1, 1947, between KU and Continental Bank, N.A., and M.J. Kruger or their successors as trustees, as heretofore amended and supplemented. The First Mortgage Bonds would have a maturity date corresponding to the Pollution Control Bonds, not to exceed 30 years from date of issuance.

6. The Pollution Control Bonds would be issued pursuant to one or more indentures (each an "Indenture"), between Carroll County and the Trustee. The proceeds from the sale of the Pollution Control Bonds would be loaned to KU pursuant to one or more loan agreements between Carroll County and KU (collectively the "Loan Agreement").

The payments to be made by KU under the Loan Agreement for one or more series of Pollution Control Bonds, together with other funds available for the purpose, would be required to be sufficient to pay the principal and interest on such Pollution Control Bonds. The Loan Agreement and the payments to be made by KU pursuant thereto will be assigned to secure the payment of the principal and interest on the related Pollution Control Bonds. Upon issuance of a series of Pollution Control Bonds, KU may issue one or more guarantees (collectively, the "Guarantees"), in favor of the Trustees guaranteeing repayment of all or any part of the obligations under such Pollution Control Bonds for the benefit of the holders of such Bonds.

7. The Pollution Control Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of Pollution Control Bonds (including, in the event all or a portion of the Pollution Control Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations between KU, Carroll County, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed two percent (2%) of the principal amount of the Pollution Control Bonds of each series to be sold. Based upon past experience with similar financings, KU estimates that bond insurance and issuance costs, excluding underwriting fees, will be approximately \$600,000. KU expects to apply all proceeds of its Pollution Control Bonds to the payment of the capital costs of the financed pollution control facilities, and to pay such costs on issuance of the Pollution Control Bonds from other funds.

8. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Pollution Control Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by KU, including issuance of auction mode Pollution Control Bonds, which may be coupled with bond insurance. KU would reserve the option to convert any variable rate Pollution Control Bonds at a later date to other interest rate modes, including a fixed rate of interest. Pollution Control Bonds that bear interest at a variable rate (the "Variable Rate Pollution Control Bonds") also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Pollution Control Bonds, KU would enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Pollution Control Bonds to other purchasers at a price equal to the purchase price of such Variable

Rate Pollution Control Bonds, which will be 100% of the par amount of such Variable Rate Pollution Control Bonds. Thus, to the extent Variable Rate Pollution Control Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate.

9. Also, in the event that Variable Rate Pollution Control Bonds are issued, KU may enter into one or more liquidity facilities (the "Current Facility") with a bank or banks to be selected by KU (the "Bank"). The Current Facility would be a credit agreement designed to provide KU with immediately available funds with which to make payments with respect to any Variable Rate Pollution Control Bonds that have been tendered for purchase and are not remarketed. The Current Facility may, but is not expected to be pledged for the payment of the Variable Rate Pollution Control Bonds or to constitute security therefor. The Current Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Current Facility, KU may be required to execute and deliver to the Bank a note (the "Current Facility Note") evidencing KU's obligation to the Bank under the Current Facility.

In order to obtain terms and conditions more favorable to KU than those provided in the Current Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Pollution Control Bonds, KU may desire to be able to replace the Current Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instrument providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, is hereinafter referred to as a "Facility") with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by KU from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, bond insurance or other similar arrangement designed to provide liquidity and/or credit support for the Variable

Rate Pollution Control Bonds. It is contemplated that, in the event the Variable Rate Pollution Control Bonds are converted to bear interest at a fixed rate to maturity, the Current Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) may be terminated in whole or in part following the date of conversion of such series of Variable Rate Pollution Control Bonds. The estimated cost of the financing shown in Section 7 does not include expenses incurred for entering into any Facility, however the impact on the overall cost of the financing would be approximately 25 basis points.

10. In connection with any Facility, KU may enter into one or more credit or similar agreements ("Credit Agreements") with the Facility Provider or providers of such Facility, which would contain the terms of reimbursement or payment to be made by KU to the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, KU may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a "Facility Note") evidencing KU's repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Pollution Control Bonds may be authorized, upon the terms set forth in such Indenture and any Credit Agreement to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Pollution Control Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Pollution Control Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

11. In connection with the issuance of the Pollution Control Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar agreement, collectively the "Hedging Facility") with a bank or financial institution (the "Counterparty"). The Hedging Facility would be an interest rate agreement designed to allow KU

to actively manage and limit its exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Pollution Control Bonds. The Hedging Facility will set forth the specific terms for which KU will agree to pay the Counterparty payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder. The estimated cost of the financing does not include the costs of any Hedging Facility which would be determined at the time of the hedge. However, based on current market conditions, the cost of a 3-year hedge would be approximately 80 basis points.

The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by KU with the respective Bank, Facility Provider or Counterparty, and would be the most favorable terms that can be negotiated by KU. The aggregate outstanding principal amount of the obligations of KU at any time under the Loan Agreements, and the Credit Facilities and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Pollution Control Bonds (which will not exceed an aggregate principal amount of \$13,266,950) plus accrued but unpaid interest and premium, if any, on such bonds.

12. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such sale.

13. Exhibit 5 to this Petition contains copies of the Carroll County Fiscal Court Resolutions authorizing issuance of the Pollution Control Bonds, as well as a copy of the Memorandum of Agreement between Carroll County and KU.

14 KU shall, as soon as reasonably practicable after the issuance of the Pollution Control Bonds referred to herein, file with the TRA a statement setting forth the date or dates of issuance of the securities, the price paid therefore, the interest rate(s) (and if applicable their

method of determination), and all fees and expenses including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

15. Exhibit 6 to this Petition contains the Financial Exhibit in support of this Petition.

16. Exhibit 7 to this Petition is a certified copy of KU's Board of Directors' resolution authorizing the Company's Ghent pollution control project.

17. Other information regarding this Petition, including the amount and kind of Notes, etc. and the use to be made of the proceeds, has been supplied in the extensive discussion above in sections 3 through 12 of this Petition.

18. In order to take advantage of currently low interest rates, along with the opportunity to finance portions of its pollution control project with tax-exempt debt, the Company plans for the securities to be issued as quickly as possible. In addition, pursuant to regulation 200 KAR 15:010, the Pollution Control Bonds must be issued within 90 days of the date that the Kentucky Private Activity Bond Allocation Committee made its supplemental allocation to KU, in other words prior to November 24, 2005. After the Authority has issued its Order in this case, various actions such as newspaper publication, final action by the Carroll County Fiscal Court, as well as arrangements with underwriters and marketing activities must take place before the Pollution Control Bonds can be issued. **Therefore, the Company respectfully requests that the Authority process this Petition as expeditiously as possible both to afford the Company maximum flexibility in connection with this financing and to ensure that this opportunity is not lost and further requests that the Authority issue its Order by October 18, 2005.** In order to facilitate KU's request for an expedited Order, a proposed Order is attached as Exhibit 8.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Authority enter its Order, in the form of the proposed Order attached as Exhibit 8, authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreement and any Remarketing Agreements, and Credit Agreements and the various Credit and Hedging

Facilities and other documents and related notes set forth in this Petition. Kentucky Utilities Company further requests that the Order of the Authority specifically include provisions stating:

1. KU is authorized to issue and deliver the new First Mortgage Bonds in one or more series in an aggregate principal amount not to exceed \$13,266,950 as set forth in its Petition.
2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the Loan Agreements with Carroll County, Kentucky and under any guarantees, remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, credit agreements and such other agreements and documents as set forth in its Petition, and to perform the transactions contemplated by all such agreements.

Respectfully submitted,

Kentucky Utilities Company

By: D. Billye Sanders by permission
D. Billye Sanders HMD
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Nashville City Center
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Louisville, Kentucky 40202
(502) 582-1601

Elizabeth L. Cocanougher
Senior Corporate Attorney
LG&E Energy LLC
220 West Main Street
Louisville, KY 40202

Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company, that he has read the foregoing Petition and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.


DANIEL K. ARBOUGH

Subscribed and sworn before me this 8 day of Sept, 2005.

My Commission Expires: 6/21/2006


NOTARY PUBLIC, STATE AT LARGE

KENTUCKY UTILITIES COMPANY

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY
AND THE COST THEREOF TO APPLICANT

June 30, 2005

The applicant owns and operates four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 2,934,000 Kw; a hydroelectric generating station having an estimated total effective capability of about 24,000 Kw; and seventeen gas/oil peaking units having an estimated total effective capability of about 1,499,000 Kw.

The applicant's owned electric transmission system includes 108 substations with a total capacity of approximately 16,978,000 Kva and approximately 4,239 structure miles of lines, The electric distribution system includes 491 substations with a total capacity of approximately 6,220,400 Kva, and 15,182 structure miles of lines.

Other properties include office buildings, service centers, warehouses, garages, and other structures and equipment.

The net original cost of the property and cost thereof to the applicant at June 30, 2005, was:

	Utility Plant
Original Cost	
Intangible Plant	\$ 26,199,059
Production Plant	2,015,904,145
Transmission Plant	493,576,756
Distribution Plant	971,790,332
General Plant	85,317,883
Transportation Plant	23,834,695
Construction Work in Progress	139,447,650
Total Plant at Original Cost	\$ 3,756,070,520
Less Reserve for Depreciation	1,736,459,963
Net Original Cost	\$ 2,019,610,557

KENTUCKY UTILITIES COMPANYGHENT GENERATING STATION

The Project includes components, systems and projects for the collection, storage, treatment, processing, recycling or final disposal of solid wastes. The Project facilities are located or will be located at one or both of the Company's Ghent Generating Station in Carroll County, Kentucky and may include, but are not limited to.

1. Facilities for the processing and recycling of waste calcium sulfite byproducts from flue gas desulfurization into calcium sulfate for use as gypsum. The Project facilities include complete new flue gas desulphurization facilities to serve generating stations 2, 3 and 4, including, among other things, the necessary SO₂ absorber reaction tanks, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, dewatering system improvements, conveyors and related facilities, related mechanical and electrical auxiliaries, tanks, associated site improvements and related structures.

2. Solid waste facilities additions and improvements for the collection and processing of fly ash, bottom ash, landfill expansion and other industrial solid waste collection, processing and disposal facilities.

3. Project facilities which are functionally related and subordinate to proposed new and existing solid waste and sewage facilities.

4. Such additional or substituted facilities and appurtenances, furnishings, equipment and machinery deemed necessary thereto, for the disposal of solid waste or related sewage, which because of changes in technology, cost, solid waste and sewage plant processes, regulatory requirements and the like, are added to or substituted for the Project facilities described herein.



**Office of Financial Management
Finance and Administration Cabinet**

702 Capitol Avenue, Suite 76
Frankfort, Kentucky 40601-3453
(502) 564-2924
Fax (502) 564-7416

Ernie Fletcher
Governor

Robbie Rudolph
Secretary

F Thomas Howard
Acting Executive Director

August 26, 2005

Mr Spencer E Harper, Jr
Harper, Ferguson, & Davis
500 West Jefferson Street, 1700 PNC Plaza
Louisville, KY 40202

Re Private Activity Bond Allocation Committee – 2005 Available Volume Cap Lottery

Dear Mr Harper

Per the attached confirmation, the Kentucky Private Activity Bond Allocation Committee ("KPABAC") has allocated a portion of the state ceiling to the identified company/issuer from the 2005 Available Volume Cap Lottery Pool Pursuant to 200 KAR 15 010, the bond issue must close within 90 days (November 24, 2005) to qualify under the CY2005 cap A Notice of Issuance must be filed with KPABAC following placement of the bonds

Kentucky Utilities Company

\$13,266,950

Please contact the Office of Financial Management at (502) 564-2924 if you have any questions

Sincerely,

F Thomas Howard
Acting Executive Director

Attachments



CONFIRMATION NO. 1
DATE August 26, 2005

CONFIRMATION OF ALLOCATION OF STATE CEILING

KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
702 Capitol Avenue, Suite 261
Frankfort, KY 40601
(502) 564-2924

Issuer Name: County of Carroll, Kentucky
Borrower/User: Kentucky Utilities Company
Bond Counsel: Spencer E Harper, Jr.
Address: 500 West Jefferson Street, 1700 PNC Plaza
City: Louisville, KY 40202

Confirmation Type:
☒ **Original**
☐ **Renewal**
☐ **Supplemental**

Confirmation is hereby given that \$13,266,950 of the state ceiling for private activity bonds for the Commonwealth of Kentucky for CY2005 has been allocated to the bond issue described by the above referenced Notice of Intent Number. This Confirmation is numbered and dated and is effective only in accordance with the terms of state and federal law. This allocation has been made from the

☒ **Local Issuer Pool**
☐ **Available Volume Cap Lottery Pool**
☐ **State Issuer Pool**

This allocation of the state ceiling shall expire on November 24, 2005 pursuant to the provisions of 200 KAR 15.010. The undersigned officer executing and responsible for this confirmation and allocation hereby swears and certifies under penalty of perjury that the allocation was not made in consideration of any bribe, gift, gratuity or direct or indirect contribution of any political campaign.



Kentucky Private Activity Bond Allocation Committee

KENTUCKY UTILITIES
Comparison Tax Exempt Synthetic Fixed vs Taxable Fixed at Fidelity

Kentucky Utilities \$13MM
Comparison Tax Exempt Synthetic Fixed vs Taxable Fixed at Fidelity
Impact on Cash Flow

TAX EXEMPT POLLUTION CONTROL BONDS										TAXABLE FIXED RATE LOAN FROM FIDELIA									
Date	Principal Outstanding	Interest @ 3.670%	Debt Expense Amortization	Issue Expenses	Taxes	Total Cash Outflow	Interest @ 5.310%	Debt Expense Amortization (1)	Taxes (2)	Total Cash Outflow	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS						
01-Dec-06	\$ 13,266,950	243,449	10,038	\$602,279	(102,313)	\$602,279	353,564		(142,707)	210,857	\$602,279	1.0000	\$602,279						
01-Jun-06	13,266,950	243,449	10,038		(102,313)	141,135				210,857	(69,722)	0.9843	(68,624)						
01-Dec-06	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.9688	(67,526)						
01-Jun-07	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.9535	(66,431)						
01-Dec-07	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.9385	(65,337)						
01-Jun-08	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.9237	(64,244)						
01-Dec-08	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.9092	(63,151)						
01-Jun-09	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.8948	(62,058)						
01-Dec-09	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.8806	(60,965)						
01-Jun-10	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.8669	(59,872)						
01-Dec-10	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.8532	(58,779)						
01-Jun-11	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.8398	(57,686)						
01-Dec-11	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.8266	(56,593)						
01-Jun-12	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.8138	(55,500)						
01-Dec-12	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.8007	(54,407)						
01-Jun-13	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.7881	(53,314)						
01-Dec-13	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.7756	(52,221)						
01-Jun-14	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.7635	(51,128)						
01-Dec-14	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.7515	(50,035)						
01-Jun-15	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.7397	(48,942)						
01-Dec-15	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.7280	(47,849)						
01-Jun-16	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.7165	(46,756)						
01-Dec-16	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.7053	(45,663)						
01-Jun-17	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.6942	(44,570)						
01-Dec-17	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.6832	(43,477)						
01-Jun-18	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.6725	(42,384)						
01-Dec-18	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.6619	(41,291)						
01-Jun-19	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.6515	(40,198)						
01-Dec-19	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.6412	(39,105)						
01-Jun-20	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.6311	(38,012)						
01-Dec-20	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.6212	(36,919)						
01-Jun-21	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.6114	(35,826)						
01-Dec-21	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.6017	(34,733)						
01-Jun-22	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5923	(33,640)						
01-Dec-22	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5829	(32,547)						
01-Jun-23	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5738	(31,454)						
01-Dec-23	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5647	(30,361)						
01-Jun-24	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5558	(29,268)						
01-Dec-24	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5471	(28,175)						
01-Jun-25	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5385	(27,082)						
01-Dec-25	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5300	(25,989)						
01-Jun-26	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5216	(24,896)						
01-Dec-26	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5134	(23,803)						
01-Jun-27	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.5053	(22,710)						
01-Dec-27	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4974	(21,617)						
01-Jun-28	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4896	(20,524)						
01-Dec-28	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4818	(19,431)						
01-Jun-29	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4743	(18,338)						
01-Dec-29	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4668	(17,245)						
01-Jun-30	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4594	(16,152)						
01-Dec-30	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4522	(15,059)						
01-Jun-31	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4451	(13,966)						
01-Dec-31	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4381	(12,873)						
01-Jun-32	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4312	(11,780)						
01-Dec-32	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4244	(10,687)						
01-Jun-33	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4177	(9,594)						
01-Dec-33	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4111	(8,501)						
01-Jun-34	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.4047	(7,408)						
01-Dec-34	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.3983	(6,315)						
01-Jun-35	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.3920	(5,222)						
01-Dec-35	13,266,950	243,449	10,038		(102,313)	141,135	353,564		(142,707)	210,857	(69,722)	0.3858	(4,129)						
TOTAL		\$14,605,912	\$602,279	\$602,279	\$6,138,810	\$9,070,381	\$21,213,853	\$0	\$6,138,810	\$12,651,412	\$13,581,030		\$12,651,412						
NPV						\$ 9,940,271				\$ 7,989,079									

(1) Debt Amortization Expense includes issuing costs of new issues
(2) Tax calculation based on interest expense and the amortization of new issue debt expense

Assumptions

Kentucky Utilities \$13MM
Comparison Tax Exempt Synthesis Fixed vs Taxable Fixed at Fidelity
Assumptions

Kentucky Utilities Tax Exempt Bond
3.670% \$ 13,266,950 Matures December 1, 2035

Unamortized Debt Expense
\$602,279 At December 1, 2005

Remaining amortization period

From July 1, 2005 to Maturity 360.0 months
Assuming a 30 Year Extension 360.0 months

Taxable Fidelity Loan
\$ 5,330,250 \$ 13,266,950 Matures December 1, 2038

Bond Issue Costs
Underwriting 0.35% 4.54%

Bond Counsel \$ 80,000.00 0.60%
Company Counsel \$ 70,000.00 0.53%
Underwriters Comm \$ 42,000.00 0.32%
Insurance \$ 260,844.86 1.98%
Ratings \$ 40,000.00 0.30%
Printing \$ 17,000.00 0.13%
Trustee Counsel \$ 6,000.00 0.05%
Accountants \$ 40,000.00 0.30%
Trustee \$ 8,000.00 0.06%
FMB Trustee \$ 4,000.00 0.03%
AMT 0.00%

Insurance costs 4.19%

MISCELLANEOUS

Tax rate 40.363%

Discount rate 3.18%

Insurance Premium Calculation	
per	13,266,950
RBI Coupon	5.07%
Annual	672,634
30 Years	20,179,031
Total Debt Serv	33,446,981
Premium Rate	0.75%
Premium	250,845
Remarketing Expense (O&M Expense)	33,167

KENTUCKY UTILITIES
Comparison Tax Exempt Floating vs Taxable Floating (Intercompany)

Kentucky Utilities \$13MM
Comparison Tax Exempt Floating vs Taxable Floating (Intercompany)
Impact on Cash Flow

TAX EXEMPT POLLUTION CONTROL BONDS

Date	Period Quartending	Interest @ 2.551%	Debt Expense Amortization	Issuance \$602,278	Tax	Total Cash Outflow
01-Jan-05	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-05	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-05	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-06	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-06	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-06	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-07	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-07	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-07	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-08	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-08	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-08	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-09	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-09	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-09	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-10	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-10	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-10	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-11	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-11	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-11	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-12	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-12	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-12	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-13	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-13	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-13	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-14	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-14	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-14	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-15	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-15	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-15	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-16	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-16	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-16	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-17	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-17	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-17	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-18	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-18	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-18	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-19	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-19	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-19	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-20	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-20	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-20	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-21	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-21	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-21	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-22	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-22	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-22	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-23	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-23	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-23	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-24	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-24	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-24	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-25	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-25	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-25	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-26	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-26	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-26	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-27	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-27	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-27	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-28	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-28	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-28	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-29	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-29	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-29	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-30	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-30	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-30	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-31	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-31	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-31	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-32	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-32	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-32	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-33	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-33	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-33	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-34	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-34	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-34	13,268,950	195,688	10,038		(83,036)	112,652
01-Feb-35	13,268,950	195,688	10,038		(83,036)	112,652
01-Jun-35	13,268,950	195,688	10,038		(83,036)	112,652
01-Oct-35	13,268,950	195,688	10,038		(83,036)	112,652
TOTAL		\$11,741,251	\$602,278	\$602,278	\$4,982,152	\$7,361,373
NPV						\$6,362,116

TAXABLE FLOATING RATE INTERCOMPANY LOAN

Interest @ 3.980%	Debt Expense Amortization (1)	Taxes (2)	Total Cash Outflow	Periodic (Savings)/Cost of Tax Exempts	Present Value Factor	Present Value (\$/Annual Cost)
262,686		(106,026)	156,659	1602,278	1.0000	1602,278
262,686		(106,026)	156,659	(44,008)	0.9883	(43,491)
262,686		(106,026)	156,659	(44,008)	0.9767	(42,981)
262,686		(106,026)	156,659	(44,008)	0.9652	(42,477)
262,686		(106,026)	156,659	(44,008)	0.9539	(41,978)
262,686		(106,026)	156,659	(44,008)	0.9427	(41,487)
262,686		(106,026)	156,659	(44,008)	0.9317	(41,000)
262,686		(106,026)	156,659	(44,008)	0.9207	(40,520)
262,686		(106,026)	156,659	(44,008)	0.9099	(40,044)
262,686		(106,026)	156,659	(44,008)	0.8993	(39,576)
262,686		(106,026)	156,659	(44,008)	0.8887	(39,111)
262,686		(106,026)	156,659	(44,008)	0.8783	(38,652)
262,686		(106,026)	156,659	(44,008)	0.8680	(38,199)
262,686		(106,026)	156,659	(44,008)	0.8578	(37,751)
262,686		(106,026)	156,659	(44,008)	0.8478	(37,308)
262,686		(106,026)	156,659	(44,008)	0.8378	(36,871)
262,686		(106,026)	156,659	(44,008)	0.8280	(36,438)
262,686		(106,026)	156,659	(44,008)	0.8183	(36,011)
262,686		(106,026)	156,659	(44,008)	0.8087	(35,588)
262,686		(106,026)	156,659	(44,008)	0.7992	(35,171)
262,686		(106,026)	156,659	(44,008)	0.7898	(34,758)
262,686		(106,026)	156,659	(44,008)	0.7806	(34,351)
262,686		(106,026)	156,659	(44,008)	0.7714	(33,948)
262,686		(106,026)	156,659	(44,008)	0.7624	(33,550)
262,686		(106,026)	156,659	(44,008)	0.7534	(33,157)
262,686		(106,026)	156,659	(44,008)	0.7446	(32,769)
262,686		(106,026)	156,659	(44,008)	0.7359	(32,384)
262,686		(106,026)	156,659	(44,008)	0.7272	(32,004)
262,686		(106,026)	156,659	(44,008)	0.7187	(31,628)
262,686		(106,026)	156,659	(44,008)	0.7103	(31,258)
262,686		(106,026)	156,659	(44,008)	0.7019	(30,891)
262,686		(106,026)	156,659	(44,008)	0.6937	(30,529)
262,686		(106,026)	156,659	(44,008)	0.6856	(30,171)
262,686		(106,026)	156,659	(44,008)	0.6776	(29,817)
262,686		(106,026)	156,659	(44,008)	0.6698	(29,467)
262,686		(106,026)	156,659	(44,008)	0.6617	(29,122)
262,686		(106,026)	156,659	(44,008)	0.6540	(28,780)
262,686		(106,026)	156,659	(44,008)	0.6463	(28,443)
262,686		(106,026)	156,659	(44,008)	0.6387	(28,109)
262,686		(106,026)	156,659	(44,008)	0.6312	(27,779)
262,686		(106,026)	156,659	(44,008)	0.6238	(27,454)
262,686		(106,026)	156,659	(44,008)	0.6166	(27,132)
262,686		(106,026)	156,659	(44,008)	0.6093	(26,813)
262,686		(106,026)	156,659	(44,008)	0.6021	(26,498)
262,686		(106,026)	156,659	(44,008)	0.5951	(26,188)
262,686		(106,026)	156,659	(44,008)	0.5881	(25,881)
262,686		(106,026)	156,659	(44,008)	0.5812	(25,578)
262,686		(106,026)	156,659	(44,008)	0.5744	(25,278)
262,686		(106,026)	156,659	(44,008)	0.5677	(24,981)
262,686		(106,026)	156,659	(44,008)	0.5610	(24,688)
262,686		(106,026)	156,659	(44,008)	0.5544	(24,399)
262,686		(106,026)	156,659	(44,008)	0.5479	(24,113)
262,686		(106,026)	156,659	(44,008)	0.5416	(23,830)
262,686		(106,026)	156,659	(44,008)	0.5351	(23,550)
262,686		(106,026)	156,659	(44,008)	0.5289	(23,274)
262,686		(106,026)	156,659	(44,008)	0.5227	(23,001)
262,686		(106,026)	156,659	(44,008)	0.5165	(22,731)
262,686		(106,026)	156,659	(44,008)	0.5105	(22,465)
262,686		(106,026)	156,659	(44,008)	0.5045	(22,201)
262,686		(106,026)	156,659	(44,008)	0.4985	(21,941)
262,686		(106,026)	156,659	(44,008)	0.4927	(21,684)
						(11,276,920)

Assumptions

Kentucky Utilities \$13MM
Comparison Tax Exempt Floating vs Taxable Floating (Intercompany)

Assumptions

Kentucky Utilities Tax Exempt Bond
2.950% * 13,266,950 Matures December 1, 2035
Unamortized Debt Expense 1692,678 At December 1, 2005
Remaining amortization period 360.0 months
From July 1, 2005 to Maturity 360.0 months
Assuming a 30 Year Maturity

Taxable Fyde Loan 3.980% * 13,266,950 Matures December 1, 2035

Bond Issue Costs			
Underwriting	80,000.00	0.35%	4.54%
Bond Counsel	70,000.00	0.60%	
Company Counsel	42,000.00	0.53%	
Underwriters Coun	42,000.00	0.32%	
Insurance	260,846.86	1.89%	
Rating	40,000.00	0.30%	
Printing	17,000.00	0.13%	
Trustee Counsel	6,000.00	0.05%	
Accountants	40,000.00	0.30%	
Trustee	6,000.00	0.06%	
FIDB Trustee	4,000.00	0.03%	
AMT		0.00%	
Insurance costs		4.19%	

Insurance Premium Calculation		
Per	13,266,950	
RBI Coupon	6.07%	
Annual	872,634	
30 Years	20,179,031	
Total Debt Serv	33,446,981	
Premium Rate	0.75%	
Premium	250,846	
Remarking Expense	33,167	
(OLM) Expense		

MISCELLANEOUS
Tax rate 40.363%
Discount rate 2.35%

0

A RESOLUTION OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AUTHORIZING THE EXECUTION OF A MEMORANDUM OF AGREEMENT BY AND BETWEEN THE COUNTY AND KENTUCKY UTILITIES COMPANY, A KENTUCKY CORPORATION, RELATING TO THE ACQUISITION, CONSTRUCTION, RECONSTRUCTION AND EQUIPPING OF CERTAIN SOLID WASTE RECYCLING AND DISPOSAL FACILITIES IN THE COUNTY; AGREEING TO UNDERTAKE THE ISSUANCE OF REVENUE BONDS AT THE APPROPRIATE TIME TO PAY THE COSTS OF ACQUIRING, CONSTRUCTING, RECONSTRUCTING AND EQUIPPING SAID FACILITIES; AND TAKING OTHER PRELIMINARY ACTIONS

WHEREAS, Kentucky Utilities Company (the "Company"), is a regulated public utility providing electric service to the general public and the Company owns and operates various electrical generating facilities, including the Ghent Generating Station, in Carroll County, Kentucky (the "County"); and in furtherance of the purpose of collecting, storing, treating, processing, recycling and disposing of solid wastes, and to comply with federal and state environmental regulations, it is essential and necessary that the Company design, acquire and construct additional solid waste disposal facilities relating to flue gas desulphurization to serve the Ghent Generating Station, including among other things, solid waste recycling and related facilities, including forced oxidation reaction processes for recycling purposes, for the treatment, processing, recycling and final disposition of solid wastes produced by the operation of such sulphur dioxide removal facilities at the Ghent Generating Station (collectively, the "Project"); and

WHEREAS, as the Company derives substantially all of its income and revenues from electric user rates and charges which are paid by the general public and any reduction in the costs to the Company of borrowing moneys for acquisition and construction of the Project will inure directly to the benefit of said electric consumers, including citizens of Carroll County, Kentucky; and

WHEREAS, the County is authorized by KRS Sections 103.200 to 103.285, inclusive (the "Act") to issue its revenue bonds for the purpose of defraying the costs of constructing and acquiring the Project; discussions have occurred between the Company and the County incident to the issuance of one or more series of revenue bonds by the County for such purpose; the County has agreed with the Company to issue one or more series of such bonds upon compliance by the Company with certain conditions, requirements and obligations, and subject to the approval of the County of the terms of all agreements, ordinances and other documents required incident to said bond issues, and the County has authorized the Company to proceed with the construction and acquisition of the Project, subject to reimbursement of the costs of the Project from the proceeds of such bonds, as, if and when issued, and

WHEREAS, based upon an estimate of the costs of the Project, the County proposes to issue its revenue bonds in one or more series in the estimated amount of \$30,000,000 (the "Bonds"), such Bonds to be sold and delivered by the County to pay the costs of the Project, together with costs incident to the authorization, sale and issuance of the Bonds, and

WHEREAS, the County proposes to enter into at the appropriate time a loan agreement or other financing agreement with the Company with respect to the Project, whereby the Company will covenant and agree to pay amounts sufficient to provide for the payment of principal of, premium, if any, and interest on the Bonds, together with all trustee's and paying agent's fees in connection with the Bonds as the same become due and payable; and

WHEREAS, it is deemed necessary and advisable that a Memorandum of Agreement between the County and the Company be executed setting forth the preliminary agreements of the parties with respect to the construction and acquisition of the Project, the issuance of one or more series of the Bonds to defray the costs thereof and the payments to be made by the Company with respect to the Bonds and the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AS FOLLOWS:

Section 1. It is hereby found, determined and declared that (i) the recitals set forth in the preambles to this Resolution, which are incorporated in this Section by reference, are true and correct, (ii) the total amount of money necessary to be provided by the County for the construction and acquisition of the Project to be financed by the Bonds will be approximately \$30,000,000; (iii) the Company has represented that it has sufficient financial resources to construct and acquire the Project and to place it in operation and to continue to operate, maintain and insure the Project throughout the term of the Bond issue, meeting when due the obligations of the proposed financing agreement; and (iv) sufficient safeguards will be provided by the financing agreement to insure that all money provided by the County from the proceeds of the sale of the Bonds will be expended by way of direct expenditure or reimbursement, solely and only for the purposes of the Project. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

Section 2. It is hereby found, determined and declared that the cost of constructing and acquiring the Project will be paid out of the proceeds of one or more series of Bonds and such contributions of the Company as may be necessary to complete the Project, as such Project is defined in the loan or other financing agreement to be executed by and between the County and the Company at the appropriate time pursuant to the Act; that none of the Bonds will be general obligations of the County; that neither the Bonds nor the interest thereon shall constitute or give rise to any indebtedness of the County or any charge against its general credit or taxing power, but that the Bonds and the payment of interest thereon shall be secured and payable solely and only by a pledge of amounts to be paid by the Company under such loan or other financing agreement; and that no part of said costs will be payable out of any general funds, revenues, assets, properties or other contributions of the County.

Section 3 In order to induce the construction and acquisition of the Project in the County with the resultant public benefits which will flow therefrom, it is deemed necessary and advisable that the Memorandum of Agreement hereinafter referred to be approved and executed for and on behalf of the County. Accordingly, the Memorandum of Agreement by and between the Company and the County attached hereto as Exhibit No. 1 is hereby approved and the County Judge/Executive is hereby authorized and directed to execute and deliver said Memorandum of Agreement, and the Fiscal Court Clerk is hereby authorized and directed to attest same.

Section 4. Because the Project will be undertaken, constructed and acquired for the purpose of conforming to the requirements of the Company, and inasmuch as the Company requires for its operations the construction and acquisition of Project facilities which it is particularly and peculiarly equipped to plan and acquire and the Company possesses more expertise in such matters, it is hereby found, determined and declared that construction and acquisition of the Project should be undertaken or

caused to be undertaken by the Company. Accordingly, the Company is hereby authorized to formulate and develop plans for the construction and acquisition of the Project, in whole or in part, and to enter into such contracts and undertakings as may be required for the construction and acquisition of the Project, in whole or in part. Reimbursements made to the Company after the receipt of the proceeds of the sale of each series of Bonds by the County shall be subject to approval or certification by a qualified person to be designated by the Company as specified in the loan or other financing agreement to be entered into by the County and the Company at the appropriate time pursuant to the Act.

Section 5. No County funds shall be expended on the Project, except such as are derived from Bond proceeds.

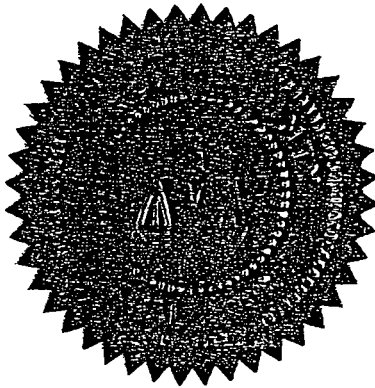
Section 6. In adopting this Resolution, it is intended by the Fiscal Court of the County that this Resolution constitute the declaration of intent to reimburse expenditures made by the Company on the Project from the proceeds of the Bonds of the Issuer within the meaning of Federal Income Tax Regulations Section 1.150-2.

Section 7. To the extent any resolution, ordinance or part thereof is in conflict herewith, the provisions of this Resolution shall prevail and be given effect.

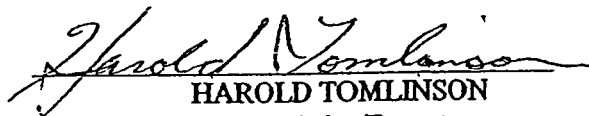
Section 8. This Resolution shall be in full force and effect from and after its adoption as provided by law.

INTRODUCED, SECONDED READ AND ADOPTED AT A DULY CONVENED MEETING OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, held on the 22nd day of February, 2005, on the same occasion signed in open session by the County Judge/Executive as evidence of his approval, attested under seal by the Clerk of the Fiscal Court, ordered to be filed and recorded as required by law, and declared to be in full force and effect according to law.

(SEAL)



ATTEST:


HAROLD TOMLINSON
County Judge/Executive

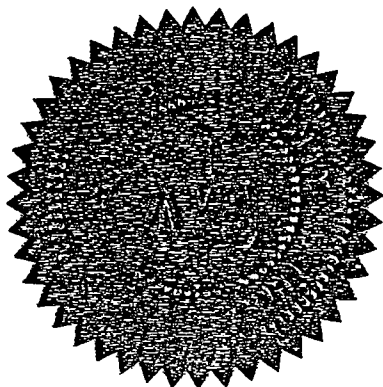

Nicki Beckham
Fiscal Court Clerk

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Clerk of the Fiscal Court of the County of Carroll, Kentucky, and as such Clerk I further certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by the Fiscal Court of said County at a duly convened meeting held on February 22, 2005, on the same occasion signed by the County Judge/Executive, duly filed, recorded and indexed in my office (pursuant to KRS 67.120(2)) and now in force and effect, and that all action taken in connection with such Resolution was in compliance with the requirements of KRS 61.810 through 61.825, all as appears from the official records of said Fiscal Court in my possession and under my control.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said County this 22nd day of February, 2005.

(SEAL)



Nicki Beckham
Fiscal Court Clerk

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT, made and entered into this 22nd day of February, 2005, by and between the COUNTY OF CARROLL, KENTUCKY (the "County"), a de jure county and political subdivision of the Commonwealth of Kentucky and KENTUCKY UTILITIES COMPANY, a Kentucky and Virginia corporation (the "Company")

1 Recitals

(a) The Company is a public utility pursuant to Chapter 278 of the Kentucky Revised Statutes, and is engaged in the business of generating electricity and providing electric service to the public at large. The Company owns and operates major electrical generating facilities in Carroll County, Kentucky, including the Ghent Generating Station, which facilities involve the combustion of coal, oil and natural gas. The Company's generating operations produce sulphur dioxide emissions and other atmospheric pollutants and contaminants, which the Company must abate, control, contain, neutralize and reduce in order that the Company may comply with applicable current Federal and State laws and regulations and continue to pursue its business as a public utility providing electrical service to the general public. In compliance with the law, the Company has previously constructed and acquired and must now construct and acquire additional major sulphur dioxide removal facilities with respect to generating units 2, 3 and 4 of the Ghent Generating Station to control sulphur dioxide emissions and for the collection, recycling, treatment and ultimate disposition of solid wastes. The operation of the Company's sulphur dioxide removal facilities and precipitators, which benefit the public, and other plant operations, produce substantial quantities of solid wastes, which the Company must collect, store, treat, process, recycle and dispose of, in order that the Company may continue to pursue its business as a regulated public utility and continue to provide service to the public.

(b) In order to efficiently treat, recycle and dispose of such solid wastes, the Company, based upon extensive study and analysis, has formulated a plan for the design, construction, reconstruction, treatment, processing, recycling and final disposition of solid wastes, as described, including forced air oxidation and recycling of solid wastes (collectively, the "Project").

(c) The Company has proceeded and is proceeding to develop final plans and designs for the acquisition, construction and installation of the solid waste disposal and recycling facilities constituting the Project, including inter alia, such necessary new sulphur dioxide removal facilities and any necessary reconstruction and modification of the existing solid waste disposal facilities serving the Ghent Generating Station. The Company estimates that acquisition, construction and installation of the Project will require the expenditure of Company moneys and funds aggregating approximately \$30,000,000. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

(d) As the Company is a public utility, depending upon the imposition and collection of electric user rates and charges for revenues adequate to operate its facilities, amortize its debts, and provide a reasonable return on capital, and as such electric user rates and charges are collected from all users of such services, it is in the best interests of the general public who bear the burden of such electric user rates and charges that the interest costs to the Company in respect of borrowing funds necessary for construction and acquisition of the Project be fixed at the lowest possible level. It has been determined that the financing of the Project in whole or in part by the issuance of solid waste disposal revenue bonds by the County pursuant to KRS Sections 103.200 to 103.285, inclusive, will result in reduction in the interest costs attending the borrowing of money for construction and acquisition of the Project, with resulting public benefits. Therefore, the Company has requested that the County issue its environmental bonds pursuant to KRS Sections 103.200 to 103.285, inclusive (the "Bonds") to provide funds to construct and acquire the Project, as herein described, or any portion or portions thereof, and the County has agreed to issue the Bonds for the financing of the Project or any portion or portions thereof. The Bonds may be issued, as requested by the Company, for the entire Project or any portion or portions thereof.

(e) The Company covenants and represents that upon the occasion of each issuance of Bonds pursuant hereto, the issuance of such Bonds will be legal and proper under the statutory laws of Kentucky and the Internal Revenue Code of 1986, as amended, or any successor Code.

(f) The County is authorized by KRS 103.200 to 103.285, inclusive (the "Act"), to issue the Bonds and use the proceeds thereof to finance the costs of construction and acquisition of the Project. The Fiscal Court of the County has found and determined that the Project will accomplish the public purposes of the Act. The County considers that causing the construction and acquisition of the Project for the Company will promote the abatement, control, containment, neutralization, recycling, reduction and disposal of solid wastes within the County, will improve and enhance the environment and benefit the general public, will lower the Company's ultimate costs in respect of the Project, will in turn consequently reduce the costs of the Project to the public, which must ultimately bear such costs in the form of electric user rates and charges, and will thereby promote the general welfare of the inhabitants of Carroll County, Kentucky.

(g) The County proposes to issue the Bonds in one or more series to finance the cost of the Project and desires to authorize the Company to proceed with the Project and be reimbursed out of the proceeds of the Bonds for any costs of the Project incurred prior to the issuance of the Bonds.

(h) The County proposes to enter into, as lender, a loan agreement or other financing agreement (the "Agreement") with the Company, as borrower, relating to the Project and the Bonds, whereby the Company will agree to make payments sufficient to provide for the payment of the principal of and premium, if any, and interest on the Bonds and all other costs of the County incurred in connection with the Bonds and the Project.

2. Representations and Undertakings of the Company. The Company represents, undertakes, covenants and agrees as follows:

(a) The Company intends to use the Project or cause it to be used at all times during the term of the Agreement or the sooner termination of the Agreement for the public purposes hereinbefore indicated and recited,

(b) The Company will cause contracts to be entered into for, or will otherwise provide for, the construction and acquisition of the Project;

(c) Prior to or contemporaneously with the delivery of any series of Bonds, the Company will enter into the Agreement with the County under the terms of which the Company will obligate itself to undertake and complete the construction and acquisition of the Project and to pay to the County amounts sufficient in the aggregate to pay the principal of, interest on, and premium, if any, on the Bonds, as and when the Bonds shall become due and payable, such Agreement to contain such other provisions as shall be agreed upon by the County and the Company;

(d) The Company will protect and hold harmless the County, all members of the Fiscal Court of the County and all the County's officers, employees and agents from all expense and liability arising from or in connection with the Project and the Bonds; and

(e) The Company will take such further actions and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in connection therewith.

3. Undertakings of the County. Subject to the fulfillment of the several conditions herein stated, the County agrees as follows:

(a) It will from time to time authorize or cause to be authorized the issuance and sale of one or more series of Bonds pursuant to the terms of the Act as then in force in an aggregate principal amount approximating \$30,000,000;

(b) It will adopt or cause to be adopted such proceedings and authorize the execution of such documents as may be necessary or acceptable to effect (i) the authorization, issuance and sale of the Bonds upon a negotiated basis to an entity or entities to be designated by the Company, (ii) the construction and acquisition of the Project, and (iii) the Agreement relating to the Project and the Bonds, all as shall be authorized by law and upon terms which must be mutually satisfactory to the County and the Company;

(c) The aggregate payments stipulated under the Agreement shall be sufficient (in addition to the covenants of the Company to properly maintain and insure the Project) to pay the principal of, interest on and premium, if any, on all series of Bonds as and when the same become due and payable; and

(d) It will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings as it may deem appropriate.

4 General Provisions.

(a) All commitments of the County and the Company pursuant to this Memorandum of Agreement are subject to the condition that on or before three years from the date hereof (or such other later date as shall be mutually satisfactory to the County and the Company) the County and the Company shall have agreed to mutually acceptable terms and conditions with respect to the Agreement and all other documents required in connection with the initial series of Bonds.

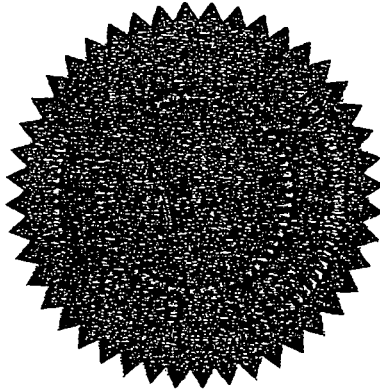
(b) If the events set forth in (a) of this paragraph do not take place within the time set forth, or any agreed extension thereof, and the initial series of Bonds are not issued within such time, all obligations of the County hereunder shall thereupon terminate upon written notice thereof by the County to the Company.

(c) This Memorandum of Agreement and the Resolution approving this Memorandum of Agreement constitute the present intent of the County to issue the aforementioned Bonds at a later date. In executing and delivering this Memorandum of Agreement, it is intended by the Company and the County the Issuer that this Memorandum of Agreement and the County's related Resolution constitute declarations of intent to reimburse expenditures made by the Company on the Project from the proceeds of the Bonds of the County within the meaning of Federal Income Tax Regulations Section 1.150-2.

(the remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement by their officers thereunto, in accordance with the laws of Kentucky and Section 1.150-2 of the Code and Treasury Regulations thereunder, being duly authorized on the day and year first above written.

(SEAL)



ATTEST:

Nicki Becknam
Fiscal Court Clerk

COUNTY OF CARROLL, KENTUCKY

By

Harold Tomlinson
HAROLD TOMLINSON
County Judge/Executive

(SEAL)

KENTUCKY UTILITIES COMPANY

By

Daniel K. Arbough
DANIEL K. ARBOUGH
Treasurer

MEMORANDUM OF AGREEMENT
BY AND BETWEEN
THE COUNTY OF CARROLL, KENTUCKY
AND
KENTUCKY UTILITIES COMPANY
GHENT GENERATING STATION

The Project includes components, systems and projects for the collection, storage, treatment, processing, recycling or final disposal of solid wastes. The Project facilities are located or will be located at one or both of the Company's Ghent Generating Station in Carroll County, Kentucky and may include, but are not limited to:

1. Facilities for the processing and recycling of waste calcium sulfite byproducts from flue gas desulfurization into calcium sulfate for use as gypsum. The Project facilities include complete new flue gas desulphurization facilities to serve generating stations 2, 3 and 4, including, among other things, the necessary SO₂ absorber reaction tanks, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, dewatering system improvements, conveyors and related facilities, related mechanical and electrical auxiliaries, tanks, associated site improvements and related structures.
2. Solid waste facilities additions and improvements for the collection and processing of fly ash, bottom ash, landfill expansion and other industrial solid waste collection, processing and disposal facilities.
3. Project facilities which are functionally related and subordinate to proposed new and existing solid waste and sewage facilities.
4. Such additional or substituted facilities and appurtenances, furnishings, equipment and machinery deemed necessary thereto, for the disposal of solid waste or related sewage, which because of changes in technology, cost, solid waste and sewage plant processes, regulatory requirements and the like, are added to or substituted for the Project facilities described herein.

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT

June 30, 2005

(1) Amount and kinds of stock authorized

80,000,000 shares of Common Stock, without par value
5,300,000 shares of Cumulative Preferred Stock, without par value

(2) Amount and kinds of stock issued and outstanding

Common Stock
37,817,878 shares issued and outstanding

Preferred Stock
\$100 stated value, 4 3/4% cumulative, 200,000 shares issued and outstanding
\$100 stated value, 6 53% cumulative, 200,000 shares issued and outstanding

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise

Preferred Stock outstanding has cumulative provision on dividends

(4) Brief description of each mortgage on property of applicant, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions

Mortgage indenture dated May 1, 1947, executed by and between the Company and U S Bank National Association (the "Trustee") and Richard Prokosch, as trustees and amended by the several indentures supplemental thereto As of June 30, 2005, the amount of indebtedness secured thereby was \$335,030,000 The indenture does not fix an overall limitation on the aggregate principal amount of bonds of all series that may be issued or outstanding thereunder

- (5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last fiscal year

First Mortgage Bonds authorized and issued by Kentucky Utilities Company at June 30, 2005, secured by a first mortgage lien, subject only to permitted encumbrances, on all or substantially all the permanent fixed properties, other than excluded property, owned by the Company

Series	Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense Year Ended June 30, 2005
				Authorized	Outstanding at June 30, 2005	
P	05/15/92	05/15/07	7.92%	\$ 53,000,000	\$ 53,000,000	\$ 4,197,600
R	06/01/95	06/01/25	7.55%	50,000,000		3,586,250
S	01/15/96	01/15/06	5.99%	36,000,000	36,000,000	2,156,400
Pollution Control Bonds						
9	12/01/93	12/01/23	5.75%	50,000,000		1,134,028
10	11/01/94	11/01/24	Variable	54,000,000	54,000,000	1,037,367
11	05/01/00	05/01/23	Variable	12,900,000	12,900,000	247,814
12	02/01/02	02/01/32	Variable	20,930,000	20,930,000	399,848
13	02/01/02	02/01/32	Variable	2,400,000	2,400,000	45,850
14	02/01/02	02/01/32	Variable	7,200,000	2,400,000	45,843
15	02/01/02	02/01/32	Variable	7,400,000	7,400,000	141,370
16	07/01/02	10/01/32	Variable	96,000,000	96,000,000	1,925,120
17	10/01/04	10/01/34	Variable	50,000,000	50,000,000	736,481
					335,030,000	15,653,971
Interest rate swap						(6,310,243)
Long term debt mark to market					3,492,700	(877,367)
Total					\$ 338,522,700 *	\$ 8,466,361

*On July 7, 2005, KU issued Series 18 in the amount of \$13,266,950 with a maturity date of June 1, 2035 at a variable rate that will reset every 7 days. The initial interest rate was 2.20% (This is not included in the totals since it occurred after June 30, 2005.)

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest during the last 12-month period

<u>Payee</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Interest Expense Year Ended June 30, 2005</u>
LG&E Energy LLC	12/31/00	\$ 93,130,000	Various	Various	\$ 491,721
Fidelia Corp	04/30/03	100,000,000	4 55%	04/30/13	4,550,000
Fidelia Corp	08/15/03	75,000,000	5 31%	08/15/13	3,982,500
Fidelia Corp	11/24/03	33,000,000	4 24%	11/24/10	1,399,200
Fidelia Corp	12/18/03	75,000,000	2 29%	12/19/05	1,717,500
Fidelia Corp	01/15/04	50,000,000	4 39%	01/16/12	2,195,000

- (7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year

None, other than current and accrued liabilities

- (8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid (1)

Dividends on Common Stock, without par value

2000	94,500,000
2001	30,500,000
2002	-
2003	-
2004	63,000,000

- (1) As of May 1998, the 37,817,878 shares are all owned by LG&E Energy LLC and all dividends declared by KU's Board of Directors are paid to LG&E Energy LLC

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1 1875 per share on the 200,000 outstanding shares of 4 3/4% Cumulative Preferred Stock, \$100 stated value, for a total of \$ 237,500 per quarter. On an annual basis the dividend amounted to \$4 75 per share, or \$950,000.

Dividends on 6 53% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1 6325 per share on the 200,000 outstanding shares of 6 53% Cumulative Preferred Stock, \$100 stated value, for a total of \$326,500 per quarter. On an annual basis the dividend amounted to \$6 53 per share, or \$1,306,000.

(9) Detailed Income Statement and Balance Sheet

Monthly Financial and Operating Reports are filed each month with the Commission. Our most recent mailing covered financial statements for periods through June 30, 2005. Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending June 30, 2005.

KENTUCKY UTILITIES COMPANY

The 2004 Form 10-K Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (combined form 10-K, separately filed by Louisville Gas and Electric Company and Kentucky Utilities Company) contains Statements of Income, Balance Sheets, Statements of Retained Earnings, Statements of Cash Flows, Statements of Capitalization, Statements of Other Comprehensive Income, Management's Discussions and Analysis of Financial Condition and Results of Operation, and Notes to Financial Statements, for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") The Annual Report of KU has been previously filed with the Authority

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for KU for the period ending June 30, 2005

KENTUCKY UTILITIES COMPANY
BALANCE SHEET AS OF JUNE 30, 2005

ASSETS AND OTHER DEBITS		THIS YEAR	LIABILITIES AND OTHER CREDITS	THIS YEAR
Utility Plant			Capitalization	
Utility Plant at Original Cost		3,756,070,519 70	Common Stock	308,139,977 56
Less Reserves for Depreciation & Amortization		1,736,459,962 68	Common Stock Expense	(321,288 87)
Total		2,019,610,557 02	Paid-In Capital	15,000,000 00
Investments - At Cost			Other Comprehensive Income	660,331,603 19
Ohio Valley Electric Corporation		250,000 00	Retained Earnings	13,193,882 00
Investments in KU-R			Unappropriated Undistributed Subsidiary Earnings	
Nonutility Property-Less Reserve		895,961 94	Total Common Equity	996,344,173 88
Investments in Subsidiary Companies		14,489,682 00	Preferred Stock	39,726,894 58
Special Funds		5,666,913 82	First Mortgage Bonds	299,030,000 00
Other		441,354 99	Other Long-Term Debt	-
Total		21,743,912 75	LT Notes Payable to Associated Companies	258,000,000 00
Current and Accrued Assets			Long-Term Debt Marked to Market	3,492,700 00
Cash		3,712,110 99	Total Long-Term Debt	560,522,700 00
Special Deposits		144,590 77	Total Capitalization	1,596,593,768 46
Temporary Cash Investments		26,183 59	Current and Accrued Liabilities	
Accounts Receivable-Less Reserve		99,316,745 22	Advances from Associated Companies	-
Notes Receivable from Assoc Companies		-	Long-Term Debt Due in 1 Year	111,000,000 00
Notes Receivable from KU-R		-	Notes Payable	-
Accounts Receivable from Assoc Companies		21,401,601 84	Notes Payable to Associated Companies	93,130,000 00
Materials & Supplies-At Average Cost			Accounts Payable	70,168,703 04
Fuel		57,340,127 07	Accounts Payable to Associated Companies	47,015,779 27
Plant Materials & Operating Supplies		23,558,555 80	Customer Deposits	16,171,580 72
Stores Expense		5,691,710 26	Taxes Accrued	10,304,101 50
Allowance Inventory		2,737,714 01	Interest Accrued	5,763,431 02
Prepayments		2,158,913 20	Dividends Declared	187,998 47
Miscellaneous Current & Accrued Assets		970,386 83	Misc Current & Accrued Liabilities	10,826,210 20
Total		217,058,639 58	Total	364,567,804 22
Deferred Debits and Other			Deferred Credits and Other	
Unamortized Debt Expense		4,258,496 49	Accumulated Deferred Income Taxes	321,878,101 76
Unamortized Loss on Bonds		11,416,146 20	Investment Tax Credit	2,955,349 32
Accumulated Deferred Income Taxes		46,124,075 73	Regulatory Liabilities	40,726,029 38
Deferred Regulatory Assets		56,695,902 99	Customer Advances for Construction	1,551,575 30
Other Deferred Debits		73,249,904 96	Asset Retirement Obligations	21,538,903 36
Total		191,744,526 37	Other Deferred Credits	18,619,443 99
Total Assets and Other Debits		2,450,157,635 72	Misc Long-Term Liabilities	17,682,093 55
			Accum Provision for Post-Retirement Benefits	64,044,566 38
			Total	488,996,063 04
			Total Liabilities and Other Credits	2,450,157,635 72

KENTUCKY UTILITIES COMPANY
COMPARATIVE STATEMENT OF INCOME
JUNE 30, 2005

	YEAR ENDED CURRENT YEAR
	THIS YEAR AMOUNT
Electric Operating Revenues	1,066,976,074 78
Rate Refunds	138,608 55
Total Operating Revenues	1,067,114,683 33
Operating Expenses	
Fuel	325,546,881 60
Power Purchased	168,580,154 71
Other Operation Expenses	148,893,215 00
Maintenance	72,147,669 73
Depreciation	109,384,104 49
Amortization Expense	5,990,002 97
Regulatory Credits	(1,553,118 34)
Taxes	
Federal Income	54,764,989 59
State Income	15,158,376 45
Deferred Federal Income - Net	3,970,264 87
Deferred State Income - Net	(85,653 38)
Federal Income - Estimated	-
State Income - Estimated	-
Property and Other	16,889,145 28
Loss (Gain) from Disposition of Allowances	(1,108,364 26)
Accretion Expense	1,345,086 00
Total Operating Expenses	919,922,754 71
Net Operating Income	147,191,928 62
Other Income Less Deductions	
Other Income Less Deductions	9,600,499 26
AFUDC - Equity	211,800 87
Total Other Income Less Deductions	9,812,300 13
Income Before Interest Charges	157,004,228 75
Interest on Long Term Debt	22,282,973 01
Amortization of Debt Expense - Net	2,911,022 23
Other Interest Expenses	3,131,351 24
AFUDC - Borrowed Funds	(42,372 98)
Total Interest Charges	28,282,973 50
Net Inc Before Cumulative Effect of Acctg Chg	128,721,255 25
Cumulative Effect of Accounting Chg Net of Tax	-
Net Income	128,721,255 25
Preferred Dividend Requirements	2,256,004 67
Earnings Available for Common	126,465,250 58

KENTUCKY UTILITIES COMPANY
ANALYSIS OF RETAINED EARNINGS
JUNE 30, 2005

	<u>Year Ended Current Month</u>
Retained Earnings and Undistributed Earnings	Total Retained Earnings
Balance Beginning of Period	618,411,168.96
Net Income To Date	128,721,255.25
Other	9,597.45
Adjust for Equity in Subsidiary Earnings for Year	
-EE Inc	(2,554,413.80)
Dividends Rec'd Current Year	-
-EE Inc	
Preferred Stock Dividends	(2,256,004.67)
Common Stock Dividends	(82,000,000.00)
Balance End of Period	<u><u>660,331,603.19</u></u>

SECRETARY'S CERTIFICATE

I, John R McCall, do hereby certify that I am the duly qualified and acting Secretary of Kentucky Utilities Company (the "Company"), a Kentucky corporation, that as Secretary, I have access to all original records of the Company and that I am authorized to make certified copies of Company records on its behalf. I further hereby certify that the attached resolutions were adopted by the Board of Directors of the Company by unanimous written consent in lieu of a meeting, dated December 16, 2004 and that the attached is a full, true and correct copy of said resolutions as they appear on the records of the Company and that the same has not been altered, amended or repealed.

IN WITNESS WHEREOF, I have signed and affixed the seal of the Company this 25th day of April, 2005.



John R McCall
Executive Vice President, General
Counsel and Secretary

**ACTION OF THE BOARD OF DIRECTORS
OF
KENTUCKY UTILITIES COMPANY
TAKEN BY WRITTEN CONSENT**

December 16, 2004

FLUE GAS DESULFURIZATION PROJECT- KU

WHEREAS, the Company has considered long-term environmental and fuel supply options, including the installation of approximately \$678.2 million in wet flue gas desulfurization equipment on Brown Units 1-3 and Ghent Units 2-4 at its E W Brown and Ghent generating stations, respectively, (the "KU FGD Project"), and

WHEREAS, the Company desires to receive approval for the KU FGD Project, including, but not limited to, approval to proceed with engineering, construction, finance and contracting arrangements, submission of governmental applications for certificates of convenience and necessity ("CCN"), cost and rate recovery treatment, environmental permits, siting approvals, etc., easement and real property acquisition, and other actions, and

WHEREAS, the Board of Directors has considered matters relating to the KU FGD Project and deems it advisable and in the best interests of the Company to approve such transactions

NOW, THEREFORE, BE IT RESOLVED, that the KU FGD Project is hereby approved and the Company is hereby authorized to proceed with such transactions, as set forth below, and

FURTHER RESOLVED, that the appropriate officers of the Company are, and each of them hereby is, authorized and directed to negotiate, execute and deliver, from time to time, for and on behalf of the Company such agreements, documents or instruments, including appropriate filings with regulatory agencies, that may be necessary or appropriate in connection with the KU FGD Project, with such officer's execution and delivery to conclusively evidence such officer's approval thereof and the approval of this Board of Directors, and

FURTHER RESOLVED, that the appropriate officers of the Company are, and each of them hereby is, authorized to determine the form and content of documentation, filings or actions relating to the KU FGD Project, and

FURTHER RESOLVED, that the appropriate officers of the Company are, and each of them hereby is, authorized and directed, to take such other actions as they shall, in their discretion, deem necessary, appropriate or advisable in connection with the KU FGD Project, including such changes as may be deemed necessary, appropriate or advisable in the discretion of such officers, and

FURTHER RESOLVED, that all actions heretofore or hereafter taken by any officer of the Company in connection with the KU FGD Project as contemplated by these resolutions be, and they hereby are, approved, ratified and confirmed in all respects

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:

PETITION OF KENTUCKY UTILITIES FOR
AN ORDER AUTHORIZING THE ISSUANCE
OF SECURITIES AND THE ASSUMPTION OF
OBLIGATIONS

DOCKET NO.

05-_____

PROPOSED ORDER

This matter came before Director _____, Director
_____ and Director _____ of the Tennessee Regulatory
Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly
scheduled Authority Conference held on _____, 2005 for consideration of the Petition of
Kentucky Utilities ("KU") for an order, pursuant to Tenn Code Ann § 65-4-109, authorizing the
issuance of securities and the assumption of obligations

Petition

KU is an electric utility primarily serving customers in Kentucky and Virginia, with only
five (5) customers in the state of Tennessee. In its Petition, filed with the TRA on _____,
2005, KU requested authority to issue its First Mortgage Bonds in an aggregate principal amount
not to exceed \$13,266,950 and to assume certain obligations in connection therewith, represented
by one or more loan agreements with Carroll County, Kentucky ("Carroll County"). Carroll
County will simultaneously issue Environmental Facilities Revenue Bonds ("Pollution Control
Bonds") in an aggregate principal amount not to exceed \$13,266,950, the proceeds of which will

be loaned to KU. KU will use the proceeds of such Carroll County Pollution Control Bonds to provide permanent financing for portions of pollution control facilities at KU's Ghent Generating Station in Carroll County. The proposed First Mortgage Bonds of KU will be used to secure and collateralize the Carroll County Pollution Control Bonds. KU also requested authority to execute and deliver, as required, and to perform its obligations under, loan agreements with Carroll County, and any remarketing agreements, and notes as are set forth in the *Petition* and to perform the transactions contemplated by those agreements. The transaction will allow a portion of the cost of KU's pollution control project to be financed on a tax-exempt basis, resulting in lower costs.

Statutory Framework

Tenn. Code Ann. § 65-4-109 provides

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

_____, 2005 Authority Conference

At the _____, 2005 Authority Conference, the Directors voted unanimously to approve the *Petition* upon a finding that the proposed transaction will be made for proper purposes and in accordance with Tennessee laws.

IT IS THEREFORE ORDERED THAT:

1. KU is authorized to issue and deliver its First Mortgage Bonds in one or more series in an aggregate principal amount not to exceed \$13,266,950 in the manner set forth in its *Petition*.

2 KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the loan agreement(s) with Carroll County, and under any remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, guaranty agreements, credit agreements and facilities, and such other agreements and documents as set out in its *Petition*, and to perform the transactions contemplated by all such agreements

3 The authorization and approval given hereby shall not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of KU securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein

Director

Director

Director